

## Message Text

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46

ORIGIN ARA-20

INFO OCT-01 ADP-00 EB-11 TRSE-00 AID-20 COME-00 OMB-01

SS-15 NSC-10 NSCE-00 CIAE-00 INR-10 NSAE-00 RSC-01

INRE-00 PRS-01 PA-03 USIE-00 /093 R

DRAFTED BY ARA-LA/APU:PFAUCETT:HJACOBSON

8/13/73 EXT 22153

APPROVED BY ARA-LA/APU:WPSTEDMAN

PPC:JLROUSH (DRAFT)

LA/MRSD/JCRAIG (DRAFT)

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O 131900Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION IMMEDIATE

C O N F I D E N T I A L STATE 159758

E.O. 11652 GDS

TAGS: EFIN, PA

SUBJ: VISIT BY IDB PRESIDENT ORTIZ MENA TO PARAGUAY

REF: ASUNCION 3037

FOR THE AMBASSADOR

1. THE POSSIBILITY OF STROESSNER/ORTIZ MENA TALKS IN AUGUST WAS BROUGHT UP DURING CONVERSATION WITH IDB DURING PAST WEEK AND WE HAVE BEEN INFORMED THAT THE MESSAGE CONTAINED PARA 3 AND 4 REFTEL HAS GOTTEN THROUGH TO LATTER.

2. IN A MEETING WITH IDB DURING OLESON CONSULTATION IN MAY, THE IDB STAFF POSITION WAS TO RECOMMEND AGAINST ORTIZ MENA ATTENDANCE AT STROESSNER INAUGURAL BECAUSE IDB DID NOT FORESEE ANY SUBSTANTIAL NEW LENDING IN NEAR TERM. OLESON AND ROUSH SUGGESTED THAT ORTIZ MENA WOULD BE IDEAL PERSON TO BRIEF STROESSNER ON MAGNITUDE AND SIGNIFICANCE OF GOP FISCAL PROBLEMS, PARTICULARLY AS THEY RELATE TO AGENCIES' ATTITUDES TOWARDS ADDITIONAL LENDING IN  
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PARAGUAY. OLESON WAS NOT CONVINCED THAT STROESSNER WAS

RECEIVING FULL ACCURATE REPORT FROM WITHIN GOP. OUR SUGGESTION PARALLELED RECOMMENDATIONS BEING MADE BY OTHER PARTS OF IDB. THIS VIEW APPARENTLY WON OUT BECAUSE WE HAVE CONFIRMED FROM A NUMBER OF SOURCES THAT ORTIZ MENA HAS BEEN FULLY BRIEFED ON PARAGUAYAN FISCAL PROBLEMS AND PRIMED FOR A PRESENTATION TO STROESSNER.

3. A STRONG PRESENTATION BY ORTIZ MENA WOULD BE THE THIRD INTERNATIONAL AGENCY PRESENTATION TO PRESIDENT STROESSNER ON THE FISCAL PROBLEM. SANZ SANTAMARIA SENT A RELATIVELY STRONG LETTER TO STROESSNER AFTER THE CIAP COUNTRY REVIEW IN MAY. ON JULY 13, IBRD PRESIDENT MCNAMARA ALSO WROTE TO STROESSNER. HIS LETTER AMONG OTHER THINGS EXPRESSES CONCERN THAT THE RESULTS OF THE GOVERNMENT'S 1972 FINANCIAL YEAR AND THE PROSPECTS FOR 1973 INDICATE THAT THE GOP WOULD HAVE DIFFICULTY IN PROVIDING THE COMPLEMENTARY LOCAL RESOURCES REQUIRED TO SUPPORT PROJECTS FINANCED OR UNDER CONSIDERATION BY THE BANK. THE LETTER ALSO STRESSES THE IMPORTANCE OF A COMPREHENSIVE TAX REFORM. IT ADVISES THAT MCNAMARA'S STAFF WILL DEVELOP AN ANALYSIS OF THE KINDS OF MEASURES WHICH MIGHT BE FEASIBLE TO IMPROVE SHORT-TERM FISCAL SITUATION, REFERS TO THE CIAP INTER-AGENCY MISSION AS WELL AS AN IBRD MISSION SCHEDULED TO VISIT PARAGUAY AND SUGGESTS LATTER MISSION WOULD PROVIDE AN OPPORTUNITY AFTER THE INAUGURATION FOR BANK STAFF TO EXCHANGE VIEWS WITH GOP AND REPRESENTATIVES OF CIAP. COPY OF MCNAMARA LETTER BEING POUCHED TODAY. ROGERS

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## Message Attributes

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**To:** ASUNCION  
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